

Subject: Delphi -- Outline of PBGC Proposal

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From: House Joseph

To: Matthew.Feldman@do.treas.gov

Matt -

As discussed last night, here is an outline of PBGC's views regarding acceptable resolution of the issues surrounding Delphi's Hourly and Salaried pension plans (respectively, "HRP" and "SRP"). For purposes of this outline, PBGC does not dispute the position taken by Delphi that any reorganized company that emerges from the ongoing negotiations among the interested parties will not be able to afford to maintain either the HRP or the SRP going forward.

Outline of PBGC's proposed solution:

1. GM will assume Delphi's HRP and merge the HRP with GM's hourly pension plan.
2. PBGC staff will undertake its best efforts to commence termination and trusteeship of Delphi's SRP under section 4042 of ERISA. Upon PBGC's issuance of a notice of determination that the SRP should be terminated, Delphi agrees that it will promptly sign a trusteeship agreement.
3. Termination of Delphi's SRP will mature PBGC's joint and several claim against each of the members of Delphi's controlled group (both the debtors and Delphi's nondebtor foreign affiliates) for approximately \$3 billion in unfunded benefit liabilities in the SRP. In addition, PBGC currently has perfected on behalf of the SRP approximately \$165 million in liens under sections 412(n) and 430(k) of the Internal Revenue Code for missed minimum funding contributions. PBGC would agree to settle all of those claims and liens in exchange for the following consideration:
 - A. For its claims against the debtors: An allowed \$3 billion general unsecured claim in Delphi's consolidated bankruptcy case, which would share pari passu with the other general unsecured claims in any recoveries available to that class of creditors.
 - B. For its claims and liens against Delphi's nondebtor affiliates:
 1. A cash payment equal to the value that PBGC would receive if its liens were pari passu with the Tranche C DIP liens.
 2. A cash payment equal to one percent of PBGC's joint and several claims against nondebtor affiliates (i.e., one-percent of \$3 billion claim).

I hope this is helpful. Please do not hesitate to contact me with any questions/concerns.

Best,

Joe

Joseph R. House
Director, Corporate Finance and Restructuring Group
Pension Benefit Guaranty Corporation
1200 K Street, N.W., Suite 270
Washington, D.C. 20005-4026
house.joseph@pbgc.gov
direct: 202-326-4070 ext. 3516